

City of Alexandria, Virginia

MEMORANDUM

9
10-28-03

DATE: OCTOBER 22, 2003

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING
SEPTEMBER 30, 2003

ISSUE: Receipt of the City's Monthly Financial Report for the period ending September 30, 2003.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending September 30, 2003.

DISCUSSION: The City's Monthly Financial Report, which is docketed for every second legislative meeting of the City Council, provides General Fund financial information on revenues and expenditures for the fiscal year to date. A periodic monthly public reporting of a jurisdiction's financial position for the current fiscal year is considered a "best practices" action.

This Monthly Financial Report of the General Fund covers the period July 1, 2003 through September 30, 2003. This report presents revenues and expenditures for the same period for Fiscal Year (FY) 2003 for comparative purposes (Attachments 1 and 2), and also provides a summary of selected economic indicators (Attachment 3).

At this time, it is too early to project how overall FY 2004 actual revenues will compare to budgeted revenues. To date, revenues for the first three months of FY 2004 total \$45.3 million, which is \$3.2 million, or 7.6 percent, higher than FY 2003 for the same reporting period. While real estate tax revenues, based on sales trends to date, will likely exceed budgeted growth expectations, other revenues such as State aid revenues remain in question for FY 2004 and FY 2005. As the State deals with its budget problems, cutting aid to local governments is a clear probability. Economic indicators show that the local economy has somewhat stabilized, with the unemployment rate down to 2.4% and the office vacancy rate down to 10.8%. However, consumer tax revenues (such as sales, restaurant meals, and transient lodging revenues) have not shown clear growth trend lines over the last six months. Anecdotally, many City businesses and non-profit associations have indicated that they continue to have financial difficulties. This

causes concern for the FY 2004 business license tax revenues which are based on 2003 business tax receipts. General Fund expenditures through the end of September total \$91.9 million, or 9.4 percent higher than expenditures at the same time last year. The City is still accumulating the cost of the recent hurricane and discussing what costs are eligible for reimbursement with various federal and state authorities.

FISCAL YEAR 2003 ENDING STATUS: At this time, the City's external auditors have completed auditing and reviewing the City's accounts and records in relation to FY 2003 expenditures and revenues. While the actual FY 2003 audit document will not be completed and issued until November, summary financial information can be reported at this time. In total, it appears that the City finished FY 2003 \$1.8 million ahead of projections made at the time the FY 2004 budget was adopted. This \$1.8 million derived from many sources, including increased delinquent tax collections, higher recordation tax revenues due to home refinancings, and increased bank franchise tax revenues paid to the City. Most all other tax revenues and expenditures finished the fiscal year close to expected levels, except for transient lodging taxes, which were \$0.4 million less than prior projections and Comprehensive Services Act (CSA) expenditures, which were \$0.5 million more than previous projections due to higher caseloads. Most expenditures and encumbrances were less than that budgeted in large part due to the departmental savings plans that were instituted in FY 2004. This \$1.8 million is planned to be designated to help finance the upcoming FY 2005 budget.

REVENUES (Attachment 1): As of September 30, 2003, actual General Fund revenues totaled \$45.3 million, which is \$3.2 million, or 7.6 percent, higher than revenues for the same period last year. Unless otherwise noted, revenues reflect normal trends and represent no cause for concern.

Personal Property Taxes: Personal property tax bills were due on October 6, 2003. The FY 2004 Approved Budget includes a \$31.7 million revenue projection for tax revenue collected directly by the City (including \$16.3 million for vehicles and \$15.4 million for businesses) and includes an additional \$21.5 million of intergovernmental revenue that the City collects from the Commonwealth under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA). The State's share of the local personal property tax payment this year is 70.0 percent of most taxpayers' payments, which is the same as last year. The total for all budgeted revenues related to the personal property tax for FY 2004 is \$53.2 million.

To date, the City has collected \$15.7 million in personal property tax revenue and has received reimbursement from the Commonwealth of \$11.1 million for total personal property tax receipts of \$26.8 million. This represents a \$3.3 million increase when compared to receipts collected at the same time last year. The increase is primarily attributable to timing differences in the collection of the tax revenues. Revenues to date represent current year payments made before the due date and payments received on delinquent accounts. Staff will continue to monitor revenues closely. No clear trends will be evident until October receipts are tabulated in November. However, it appears at this time that the total budgeted revenues related to the personal property tax (\$53.2 million) will be achieved.

Personal Property Tax (in millions)	Actual to Date FY 2003	Budget FY 2004	Actual to Date FY 2004
City share	\$ 13.5	\$ 31.7	\$ 15.7
Commonwealth reimbursement	<u>10.0</u>	<u>21.5</u>	<u>11.1</u>
Total	\$ 23.5	\$ 53.2	\$ 26.8

Local Sales and Use Taxes: Businesses remit sales tax to the Commonwealth within 30 days of the end of the month in which sales occurred. The Commonwealth wires the City's portion of the sales tax approximately one month later. Sales taxes received by the City in September represent revenues collected by merchants in July. Sales tax revenues totaled \$1.8 million to date and represent a one percent decrease from FY 2003 collections. It should be noted that timing of sales tax reporting by companies and administration by the Virginia Department of Taxation make single-month comparisons not statistically meaningful.

Consumer Utility Taxes: Consumer utility taxes are collected by the utility companies one month after billing and are remitted to the City the following month.

City of Alexandria Consumer Utility Tax Receipts

Utility	FY 2004 Year to Date Receipts	FY 2003 Year to Date Receipts	Increase/ (Decrease)	Notes
Telephone - Tax on Local Services	\$854,198	\$790,159	\$64,039	
Electricity	985,457	483,412	502,045	FY 2004 revenues include one month's revenues paid early
Water	301,395	339,161	37,766	
Natural Gas	307,528	296,591	10,937	

Business License Taxes: The City's business license tax is due March 1. Collections to date, in the amount of \$0.5 million, represent filings by new businesses and payments on delinquent accounts and total \$0.2 million less than received last fiscal year at this time.

Transient Lodging Taxes: Transient lodging taxes are remitted to the City within one month after collections. Therefore, the revenue reflected in this report represents collections by hotels for July and August 2003. Collections total \$1.0 million, which is \$0.1 million less than last year at this time.

Restaurant Meals Taxes: Meals and alcoholic beverage taxes are due to the City within 30 days of the month the sales occurred. Collections for sales through August 2003 were 5.1 percent, or \$0.1 million, higher than last year.

Tobacco Taxes: Businesses remit tobacco tax revenue to the Northern Virginia Cigarette Board. This revenue is forwarded to the City approximately 15 days after the end of the month in which the sales occurred. Tobacco taxes are levied at a rate of \$0.50 per pack of 20 cigarettes sold in the City. This rate was increased as of January 2003. To date \$0.4 million has been collected for FY 2004, which represents an increase of \$0.1 million over that of the previous year.

Real Estate Recordation Taxes: Real estate recordation tax revenues are collected by the Clerk of the Court and remitted to the City the following month. Collections in the amount of \$0.8 million represent an increase of \$0.1 million, or 19 percent, over the previous year. The continued increase is primarily attributable to residential refinancings due to historically low interest rates. These refinancings are slowing due to recent increases in home mortgage rates.

Other Local Taxes: This category includes bank franchise taxes, telecommunications right-of-way taxes, cable TV franchise taxes, daily rental taxes and other miscellaneous taxes.

Revenues from the Federal Government: The City's General Fund revenues from the federal government are primarily for federal prisoner per diem. The City has billed \$1.2 million for housing federal prisoners through the period ending September 2003. However, as of September 30, 2003, only one payment has been received. The federal government generally pays the City for housing federal prisoners between 45 and 60 days after the end of the billing period.

Revenues from Use of Money and Property: Year-to-date interest revenues decreased \$0.3 million compared to last fiscal year, largely due to substantially declining market interest rates on City short-term investments. This 25 percent decrease in market interest rates is reflected in the 42 percent federal fund interest rate reduction from 1.79 percent in September 2002 to 1.03 percent in September 2003.

Other Revenues: Other revenues include gifts and donations, damage recoveries and recovered costs.

EXPENDITURES (Attachment 2): As of September 30, 2003, actual General Fund expenditures and transfers totaled \$91.9 million, an increase of \$7.9 million, or 9.4 percent, over expenditures for the same period last year. Except as noted below, increases in expenditures when compared to the prior fiscal year are attributable to budgeted expenditures for annual equipment replacement charges made at the beginning of the fiscal year, as well as the transfer of all \$17.0 million of the planned General Fund cash capital transfer to the Capital Projects Fund. Except where noted below, this expenditure pattern reflects the Approved FY 2004 Budget.

Judicial Administration: Expenditures represent the second quarter payments to regional organizations that provide legal, correctional and animal welfare and control services.

Other Planning Activities: General Fund expenditures in this category reflect the first two quarterly contribution payments to community agencies.

Transit Subsidies: Expenditures to date reflect the City's first quarterly payment to the Washington Metropolitan Area Transit Authority (WMATA) for FY 2004. This represents a \$0.5 million reduction compared to last fiscal year in the City's payment to WMATA. This is due to the availability of more State aid and gas tax revenues in the first quarter of FY 2004 as compared to FY 2003.

Health: The City receives a quarterly billing from the Commonwealth (approximately \$700,000 per quarter) for services provided at the Health Department. As of September 30, 2003, the first quarterly billing had not been received.

Fire: Due to lower than projected attrition of firefighter and EMS personnel, preliminary projections show that the Fire Department may exceed approved budget authority by the end of the fiscal year. The department will submit end of year projections on a monthly basis to OMB and this situation will be monitored closely.

Recreation: Expenditures reflect seasonal employee costs incurred during the Summer.

Other Education Activities: Expenditures to date reflect the first two quarterly contribution payments to the Northern Virginia Community College.

Non-Departmental: General Fund expenditures in this category reflect the City's contributions to the public safety pension plan, senior citizens' rent relief, payment for the City's liability insurance, and the City's share of debt service on the Northern Virginia Transportation District bonds issued by the Commonwealth in November 1999.

Cash Capital Transfer: At the beginning of each fiscal year, the full planned and budgeted fiscal year cash capital transfer to the Capital Projects Fund is made. While a monthly transfer process could be established, a one time accounting entry making this transfer is more efficient. Since the General Fund still captures all interest earnings on the amount transferred, there is no negative General Fund impact of doing a one-time transfer. For FY 2004, the budgeted Capital Projects Fund transfer is \$17.0 million, which compares to \$14.2 million in FY 2003.

Cash Matches (MH/MR/SA, Human Services, Library and Miscellaneous Grants): To comply with grant awards, the City's share funding is transferred from the General Fund to the Special Revenue Fund at the end of the fiscal year.

ATTACHMENTS:

Attachment 1 - Comparative Statement of Revenues

Attachment 2 - Comparative Statement of Expenditures & Transfers by Function

Attachment 3 - Selected Economic Indicators

STAFF:

Mark Jinks, Assistant City Manager for Fiscal and Financial Affairs

D. A. Neckel, Director of Finance

Laura Triggs, Deputy Director of Finance/Comptroller

**CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES
GENERAL FUND
FOR THE PERIODS ENDING SEPTEMBER 30, 2003 AND SEPTEMBER 30, 2002**

	FY2004 APPROVED BUDGET	FY2004 REVENUES THRU 09/30/03	% OF BUDGET	FY2003 REVENUES THRU 09/30/02
General Property Taxes				
Real Property Taxes.....	\$ 201,043,402	\$ 712,951	0.4%	\$ 676,756
Personal Property Taxes.....	31,684,000	15,738,236	49.7%	13,529,836
Penalties and Interest.....	1,100,000	239,933	21.8%	222,032
Total General Property Taxes	\$ 233,827,402	\$ 16,691,120		\$ 14,428,624
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 22,150,000	1,764,274	8.0%	\$ 1,857,334
Consumer Utility Taxes.....	17,750,000	2,448,578	13.8%	1,909,323
Business License Taxes.....	23,600,000	482,567	2.0%	772,224
Transient Lodging Taxes.....	5,900,000	995,350	16.9%	938,441
Restaurant Meals Tax.....	8,800,000	1,419,964	16.1%	1,350,615
Tobacco Taxes.....	2,600,000	436,064	16.8%	295,478
Motor Vehicle License Tax.....	2,300,000	1,141,335	49.6%	1,088,583
Real Estate Recordation.....	1,900,000	751,495	39.6%	631,911
Other Local Taxes.....	4,013,000	280,767	7.0%	253,642
Total Other Local Taxes	\$ 89,013,000	\$ 9,720,394	10.9%	\$ 9,097,551
Intergovernmental Revenues				
Revenue from the Federal Government.....	\$ 4,775,000	\$ 485,573	10.2%	\$ 390,707
Personal Property Tax Relief from the Commonwealth.....	21,500,000	11,052,635	51.4%	9,983,877
Revenue from the Commonwealth.....	18,783,200	2,951,532	15.7%	3,094,315
Total Intergovernmental Revenues	\$ 45,058,200	\$ 14,489,740	32.2%	\$ 13,468,899
Other Governmental Revenues				
Fines and Forfeitures.....	\$ 4,000,000	\$ 950,395	23.8%	\$ 1,039,825
Licenses and Permits.....	3,000,000	694,543	23.2%	934,330
Charges for City Services.....	9,891,200	1,462,256	14.8%	1,450,881
Revenue from Use of Money & Property.....	4,968,186	1,235,612	24.9%	1,544,769
Other Revenue.....	453,598	104,833	23.1%	172,521
Total Other Governmental Revenues	\$ 22,312,984	\$ 4,447,639	19.9%	\$ 5,142,326
TOTAL REVENUE	\$ 390,211,586	\$ 45,348,893	11.6%	\$ 42,137,400
Appropriated Fund Balance				
General Fund.....	7,536,601	-	0.0%	-
Reappropriation of FY 2003 Encumbrances And Other Supplemental Appropriations.....	-	-	0.0%	-
TOTAL	\$ 397,748,187	\$ 45,348,893	11.4%	\$ 42,137,400

CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING SEPTEMBER 30, 2003 AND SEPTEMBER 30, 2002

FUNCTION	FY2004 APPROVED BUDGET	FY2004 EXPENDITURES THRU 09/30/03	% OF BUDGET	FY2003 EXPENDITURES THRU 09/30/02
Legislative & Executive.....	\$ 4,987,784	\$ 1,192,082	23.9%	\$ 1,104,379
Judicial Administration.....	\$ 27,652,729	\$ 7,990,326	28.9%	\$ 6,804,748
Staff Agencies				
Information Technology Services.....	\$ 6,111,589	\$ 1,372,917	22.5%	\$ 1,193,620
Management & Budget.....	948,688	154,487	16.3%	193,377
Finance.....	7,395,667	1,766,591	23.9%	1,660,330
Real Estate Assessment.....	1,013,399	221,604	21.9%	182,166
Personnel.....	2,276,527	549,428	24.1%	562,239
Planning & Zoning.....	3,222,051	658,585	20.4%	727,285
Other Planning Activities.....	2,248,399	1,117,183	49.7%	883,952
City Attorney.....	1,466,068	531,190	36.2%	351,590
Registrar.....	895,714	175,786	19.6%	193,505
General Services.....	9,620,993	2,253,784	23.4%	2,150,272
Total Staff Agencies	\$ 35,199,095	\$ 8,801,555	25.0%	\$ 8,098,336
Operating Agencies				
Transportation & Environmental Services.....	\$ 21,799,821	\$ 5,791,454	26.6%	\$ 5,363,432
Fire.....	28,032,263	7,603,078	27.1%	6,689,007
Police.....	40,234,764	10,414,884	25.9%	9,959,371
Transit Subsidies.....	3,859,451	260,527	6.8%	733,354
Housing.....	940,103	218,815	23.3%	225,645
Mental Health/Mental Retardation/ Substance Abuse.....	580,871	291,735	50.2%	279,205
Health.....	7,045,019	646,115	9.2%	428,296
Human Services.....	8,993,355	2,322,255	25.8%	1,967,096
Historic Resources.....	2,205,822	530,388	24.0%	570,724
Recreation.....	15,912,946	4,527,118	28.4%	4,294,534
Total Operating Agencies	\$ 129,604,415	\$ 32,606,369	25.2%	\$ 30,510,664
Education				
Schools.....	\$ 121,191,334	\$ 19,176,692	15.8%	\$ 18,429,333
Other Educational Activities.....	13,058	6,529	50.0%	3,312
Total Education	\$ 121,204,392	\$ 19,183,221	15.8%	\$ 18,432,645
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 21,299,500	\$ 1,153,086	5.4%	\$ 1,229,826
Non-Departmental.....	6,606,221	2,677,938	40.5%	2,398,148
Cash Capital.....	16,955,000	16,955,000	100.0%	14,200,000
Contingent Reserves.....	680,000	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 45,540,721	\$ 20,786,024	45.6%	\$ 17,827,974
TOTAL EXPENDITURES	\$ 364,189,136	\$ 90,559,577	24.9%	\$ 82,778,746
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library)				
Transfers to the Special Revenue Fund.....	28,389,051	-	0.0%	-
Transfer to DASH.....	5,170,000	1,292,500	25.0%	1,208,550
TOTAL EXPENDITURES & TRANSFERS	\$ 397,748,187	\$ 91,852,077	23.1%	\$ 83,987,296

**CITY OF ALEXANDRIA
SELECTED ECONOMIC INDICATORS**

	<u>Current Year</u>	<u>Prior Year</u>	<u>Percent Change</u>
<u>Consumer Price Index (CPI-U)</u> for the Washington-Baltimore, DC-MD-VA-WV Area (As of July 31, 2003) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)	117.2	114.0	+2.8%
<u>Unemployment Rates</u>			
Alexandria	2.4%	3.3%	-27%
Virginia (As of August 31, 2003) (Source: United States Department of Labor, Bureau of Labor Statistics)	3.8%	4.2%	-10%
United States (As of September 30, 2003) (Source: United States Department of Labor, Bureau of Labor Statistics)	6.1%	5.7%	+7%
<u>Interest Rates</u> (As of September 30, 2003)			
Prime Rate	4.00%	4.75%	-16%
Federal Fund Rate (Source: SunTrust Economic Monitor)	1.03%	1.79%	-42%
<u>New Business Licenses</u> (During September) (Source: Finance Department, Business Tax Branch)	77	93	-17%
<u>Office Vacancy Rates</u> (As of June 30, 2003)			
Alexandria	10.8%	11.0%	-2%
Northern Virginia	17.5%	15.9%	+10%
Washington DC Metro Area (Source: Grubb & Ellis)	13.1%	12.2%	+7%
<u>New Commercial Construction</u> (As of August 31, 2003)			
Number of New Building Permits	2	3	- 33%
Value of New Building Permits (Source: Fire Department Code Enforcement Bureau)	\$ 31.1 million	\$ 14.7 million	+112%
<u>Residential Real Estate Indicators</u> (for the eight months ended August 31, 2003)			
Residential Dwelling Units Sold	2,517	2,526	-
Average Residential Sales Price (Source: Department of Real Estate Assessments)	\$325,466	\$278,702	+17%